NOTES

WASHINGTON NOTES

Secretary of the Treasury McVeagh, after a careful study of present methods of receiving and disbursing public moneys under the existing subtreasury system, has determined upon a radical reform. A part of the plan was mapped out at a recent meeting between the Secretary of the Treasury and a committee representing the American Bankers' Association and has been embodied in a formal letter written by Mr. McVeagh to that committee at the opening of October. At the meeting in question the bankers suggested three plans: (1) that collectors of internal revenue and the customs be authorized to accept cashier's and treasurer's checks of any members of clearing-house associations in subtreasury cities where the collectors are located, provided that clearing-house members whose checks are to be so accepted have previously deposited with the subtreasuries a sum of money sufficient to cover checks so used; (2) that the cost of redemption and reissue, including transportation, of the government's own issues of currency should be borne by the government, and that an adequate supply thereof should be maintained in the various subtreasuries; (3) that gold certificates payable to order, authorized by the Act of March 14, 1900, issued at any subtreasury, except San Francisco, be received in payment of any debts due the United States government wherever payable; and that the system of telegraphic transfers be extended so as to include transactions between other subtreasury cities, except San Francisco. In answer the Secretary now proposes to recommend to Congress the following plans: (1) that sec. 3473 of the Revised Statutes be so amended as to allow collectors of customs and of internal revenue to receive certified checks of national

banks under such regulations as will insure the collectors and the government against loss; (2) that the existing restrictions upon the denominations of different kinds of paper money be further relaxed. Besides promising to recommend these changes to Congress, the Secretary says, with reference to the request that banks in subtreasury cities other than New York be allowed to pay customs and internal revenue with checks on deposits in subtreasuries as is now done in New York, he has no objection to extending this system so as to cover these other cities and so as to include internal revenue as customs. He does not think that the government can well pay the cost of shipment of unfit money to and from the Treasury, as this would involve an outlay of about $300,000 per annum, nor is he willing to recommend that gold certificates payable to order, isssued at any subtreasury except San Francisco, be received in payment of debts due the United States wherever payable, thus reducing the cost of domestic exchange.

Returns for the condition of national banks as received by the Comptroller of the Currency and published late in September show a material increase in the amount of excess reserve above legal requirements held by the several classes of institutions. The growth of excess reserve has been most marked in the central reserve cities and shows that these banks have been gradually building up a substantial protection against the heavy demands of the fall crop-moving season. This is a continuation of the movement which was noted at the time of the last bank statement on June 30, but it has a significance considerably greater than that which is indicated merely by the figures themselves. The present condition shows that the banks not only can, but are willing to, provide for periods of stress. This is a belief which has been very generally ridiculed and which was absolutely rejected by former Secretary Leslie M. Shaw. Mr. Shaw, during his term of office, not only devoted much time to actually relieving weakened reserves and other bad conditions among the banks, but he also devoted a great deal of attention to an active propaganda in favor of the adoption of such a plan of relief as a regular policy. The idea of such acceptance was seen in its most extreme form in his recommendation to Congress that he be provided with a fund of $100,000,000 to be used at his discretion in relieving conditions that might seem to call for such interference. The demand was fortunately ignored

by Congress, but in the meantime enough harm had been done through the use of the surplus to push the banks considerably nearer to the panic conditions of 1907. These conditions gradually became aggravated during the administration of Secretary Cortelyou, who considered himself obliged to continue the policy which had been begun by his predecessor. Eventually the burden of relieving the panic was transferred almost wholly to the federal Treasury. Worst of all was the fact that the banks had in the meanwhile become accustomed to rely upon the department for aid, so that it was an exceedingly difficult matter to bring them back to a self-reliant condition. During the spring of 1910, when the reserves had quite generally been reduced through loans made directly or indirectly to promote stock and real estate speculations, the banks, in many cases, began to recur to the old method of getting help. They appealed in May to Secretary McVeagh to leave on deposit with them the receipts from the corporation tax amounting in all to only about $26,000,000. This demand was almost immediately rejected by the Secretary, notwithstanding that it received backing from members of Congress. The Secretary went farther and practically told the banks that the Treasury would be in no position to aid them during the current season, suggesting instead the organization of the national currency association provided for under the Aldrich-Vreeland Law in order that there might be some means of mutual aid in the event of a serious fall stringency. The banks were naturally averse to the idea of getting their "relief" at a cost of from 5 to 10 per cent. through the use of emergency notes, and the result was a wholesome limitation of loans and discounts, quite sufficient to protect the combined institutions against any ordinary demands of the fall season.

An important investigation on the subject of water terminals has been completed by the Bureau of Corporations (*Transportation by Water in the United States,* Part III). This report deals with harbor organization as a factor in transportation—a little-known phase of the question of communication by water. Parts I and II of the report, already issued, have discussed channels, floating equipment, and water-borne traffic. It is now sought to show what is the relation between these phases of the transportation problem and the question of harbors. Four fundamental requirements are found to be necessary to all satisfactory water terminals: good

wharves; warehouses and storage facilities; mechanical appliances for the transshipment of freight; and belt-line railway connection with adjacent railroads and industrial concerns so as to co-ordinate water with rail transportation and with local production and distribution. The report proceeds to apply these standards for judging of the adequacy of water terminals to some of the principal ports in the United States. Much of strictly local interest is developed in the report, but it is noted generally that a large amount of water terminal frontage is everywhere controlled by railroads, and that while much of this control is undoubtedly necessary and commercially advantageous it is nevertheless to be remembered that rail and water systems are supposed to be in competition so that the control by one system of the terminals upon which a rival system is depending is of serious importance. It is also found that railroad frontage in central parts of a congested harbor frequently means that through traffic is crowding upon local traffic and that the two prime harbor functions—commercial and industrial—are unnecessarily in conflict because of unsatisfactory harbor organization. Further, the railroads control a large amount of water terminals directly or through subsidiary concerns, and on the Mississippi River system this general ownership of river frontage results in a passive obstruction to its proper use for water traffic. In a number of cases, water traffic has been decidedly antagonized through the refusal of the use of railroad piers to independent lighterage concerns. On the Great Lakes there is comparatively efficient public control of the water front. Things are said to be even better managed at the gulf ports and on the Pacific coast, where it is believed that the most important steps have been taken for the control of wharf property. The Bureau of Corporations finds that, although terminal charges such as dockage, warehousing, lighterage, pilotage, etc., are often the determining factor in an active transportation system the systems of such charges which prevail in the United States at the present time are irregular and expensive. In some cases the lighterage charge is absorbed by the railroads on through traffic and is used as one method of competition.

The reopening of reciprocity negotiations with Canada, now determined upon in Washington and accepted by the Canadian government as a necessity, presents a curious and unusual inter-

national situation which may have a significant effect upon the development of our tariff policy. At the time when the commercial agreement with Canada was negotiated last spring under the terms of the Payne-Aldrich law, vague assurances of mutual good will and probable future understanding were exchanged by the two governments, and shortly afterward it was unofficially stated both at Ottawa and at Washington that probably nothing further would be done. Developments during the summer have changed this point of view, on both sides. Interests throughout the Canadian Northwest have made plain and positive demands for reciprocity in natural products and also for a reduction in Canadian rates on American manufactures. In the United States, northwestern interests strongly favor reciprocity in natural products while northeastern interests demand the same policy with the addition of free trade or reduced rates on wood-pulp, paper, and other items. Neither government has had the strength to resist public demand, and in consequence negotiations whose success seems to be sincerely desired by neither side are on the point of being opened. The Taft administration is in a peculiar position because under the Payne-Aldrich tariff it has already exhausted its whole power of concession so that it must go to Congress for permission to make any additional changes in duties. As it has been warned that a reciprocity treaty cannot be indorsed by the Senate alone, a voice in the matter being demanded by the lower chamber on the ground that the measure is of a revenue character, this amounts to a pledge that the administration will call for a revision of the tariff. As the treaty must be submitted to both houses of Congress and as, under present interpretations of the most favored nation clause, the concessions we make to Canada must in whole or in part be extended to other countries, the problem is in fact as well as in theory that of tariff revision.

President Taft has attempted to make practical the plans for administrative economy proposed by his administration during the past session of Congress, issuing on the first of October orders for the organization of a business methods commission. This action has been taken under the authorization of Congress to expend a sum not in excess of $100,000 for the purpose of securing information looking to administrative economy and the use of proper business methods. Since the passage of the act, nothing has been done

in a general way, there being merely some sporadic efforts here and there to bring about administrative economies in the several departments. The new commission, which is to consist of several accountants and "business experts," has not been fully completed in membership, but a preliminary plan of organization has been worked out. According to this plan, each department of the government is to be represented by a committee of three or more persons who are to co-operate with the central commission which is to have offices at the White House. By the aid of the various independent committees the methods of each department are to be passed in review and so far as possible uniformity between them is to be established. Of course no considerable saving can be made without a change in legislative and administrative policy, but it is possible for the commission to bring about some changes in method that will render business rather more speedy and uniform.

Progress with the railroad rate inquiry at hearings in Chicago, New York, and, during the middle of October, in Washington, has developed the fact that an important outgrowth of the current discussion is a widespread demand for the administrative organization of the railroads upon more economical lines. Thus far the roads have essentially fallen back upon the statement that they cannot "make money"—that is, cannot pay interest and dividends—if they are obliged to continue doing business on the present rates with wages at the high level they have lately reached, and with commodities equally high in price. Shippers have not attempted to deny that rates should be fixed at such a level as will enable the roads to pay a fair return upon the capital investment. The most recent development of their case, however, is their insistence upon the statement that the roads are uneconomically if not wastefully organized, that they employ too many men and pay too high salaries to officials, and that they fail to buy their goods at reasonable prices. The charge of uneconomical management is based upon the claim that the administrative forces of the roads are not now upon a "business basis." This is far from harmonizing with the current idea of railroad management which ordinarily regards transportation as among the most efficiently organized of businesses. Analogy is drawn by shippers between the insurance companies which a few years ago were proved to be extravagant and wasteful in their methods, and the railroads. With reference to commodities, investi-

gations made by the shippers are said to have disclosed definitely the fact that the railways as a rule buy their commodities through supply houses as against the practice of industrial concerns, which usually go direct to the manufacturers of the articles they need. For this and other reasons, the prices paid by the roads at the present time are said to be substantially in excess of those they ought, under existing conditions of production, to pay.

One aspect of the tariff legislation of last year to which comparatively little attention has been paid in current discussion is seen in the provision for the organization of a court of customs appeals to sit at Washington. It was with great difficulty that the administration and the republican leaders of the conservative group succeeded in forcing this provision upon Congress. Even after the tariff bill had been passed with the customs court provision contained in it, the Senate declined to appropriate money for the salaries of the prospective judges. This necessitated the postponement of the work of organizing the court until the following session of Congress, when money for it was finally made available and judges were appointed. These judges completed the organization of the court and began work early in the summer. Three sessions of the court have now been held. The jurisdiction of the new tribunal includes all matters relating to customs administration and cases have been transferred to it from all United States circuit and district courts which previously had jurisdiction. It is an interesting fact that the methods of carrying on the customs service at the present time are such that only a relatively limited number of cases has come before the court. So small is the amount of work in prospect that plans are already on foot for extending the duties of the organization by giving it control of patent cases. Meantime, the court itself has shown a disposition, in the few decisions already handed down, to extend the scope of its own jurisdiction as much as possible. There has also been an apparent willingness to lean to the higher rates of duty in all those cases where any doubt could be said to exist with respect to a choice between higher and lower rates.

The closing of a year's operations under the special concessions extended to the Philippines by the Payne-Aldrich law has rendered it possible to draw some conclusions with reference to the probable

effect of that law upon the economic prospects of our eastern possessions. It will be recalled that, whereas the Payne-Aldrich law permitted the entry of all American goods into the Islands without the payment of duty, it extended the same privilege to Philippine exports to the United States only in so far as they did not consist of sugar and tobacco. Of sugar, the free introduction of not to exceed 300,000 tons annually was permitted, while 150,000,000 cigars and 300,000 pounds of filler tobacco could likewise be sent here free. On the whole, the experiment has shown that this attempt at freer trade is likely to result to the decided benefit of the Islands. Their total exports for the year ending with June 30, 1910, were $39,864,000 as against $30,993,563 for the year ending June 30, 1909. Of this amount, $18,741,000 was exported to the United States during the same period as against $10,215,331 during the year before. Although the general increase in trade is unmistakable, the improvement in the gross volume of exports of sugar and tobacco has not been what was expected. Only 91,000,000 cigars were sent to the United States during the year ending August 1, 1910, instead of the 150,000,000 that might have been shipped here, while only 125,000 tons of sugar were exported free to the United States instead of the permitted 300,000 tons. The conclusion has inevitably been drawn that a considerable change in methods and extent of agriculture must be brought about before the Philippine Islands can be developed into a prosperous colonial possession—a long and difficult undertaking. In the effort to further the process, the administration has seen fit through a questionable interpretation of the land laws (limiting the area to be held by one person or corporation) to permit the beginnings of a plantation or "large-culture" system. About 55,000 acres of sugar land have been sold, with this object in mind, to agents of the American Sugar Refining Company.